

Annual

Report

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INTERSTATE DEPARTMENT STORES, INC.

INTERSTATE DEPARTMENT STORES, INC.

DIRECTORS

SAMUEL J. ABEND	HAROLD F. LINDER
ROBERT S. ADLER	BENJAMIN W. MAYER
SOL W. CANTOR	ALBERT PARKER
CHARLES E. FEDERMAN	HERBERT J. REEVES
PAOLINO GERLI	MURRAY D. SAFANIE
R. C. KRAMER	HAROLD J. SZOLD

OFFICERS

<i>Chairman of the Board</i>	R. C. KRAMER
<i>President</i>	SOL W. CANTOR
<i>Vice President</i>	SAMUEL J. ABEND
<i>Vice President</i>	BARRY GOLDEN
<i>Treasurer</i>	GEORGE H. STUNTZ
<i>Secretary</i>	ALBERT PARKER
<i>Assistant Treasurer and Assistant Secretary</i>	EDWARD C. SCHENKEL

<i>Transfer Agent</i>	BANK OF THE MANHATTAN COMPANY....	New York
<i>Registrar</i>	THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK.....	New York
<i>General Counsel</i>	PARKER, CHAPIN AND FLATTAU.....	New York
<i>Public Accountants</i>	S. D. LEIDESDORF & Co.....	New York
<i>Executive and General Offices</i>	111 EIGHTH AVENUE.....	New York

April 24, 1953

To the Stockholders of

INTERSTATE DEPARTMENT STORES, INC.

This is the report of INTERSTATE DEPARTMENT STORES, INC. and its subsidiaries for the fiscal year ended January 31, 1953.

The year's operations, and a comparison with the results for the previous fiscal year, with inventories of certain stores and departments valued on a Last-In, First-Out (LIFO) basis, are summarized as follows:

	Fiscal Year Ended	
	Jan. 31, 1953	Jan. 31, 1952
Sales	\$64,758,800	\$64,853,100
Earnings before Federal Income Taxes.....	2,198,900	2,319,900
Net Earnings after Federal Income Taxes.....	1,188,900	1,293,900
Earnings per share of Common Stock.....	3.87	4.20
Dividends paid per share of Common Stock.....	2.50	2.50
Stockholders' Equity per share of Common Stock	42.59	41.20

EARNINGS: The decrease in earnings during the fiscal year just ended was caused principally by an increase in expenses, primarily store employee payrolls and pre-opening expenses in connection with the new stores in Evansville, Indiana and Anderson, South Carolina.

SALES: Consolidated sales for the past five years have been as follows:

<u>Fiscal Year Ended January 31</u>	<u>Owne Departments</u>	<u>Lease Departments</u>	<u>Total</u>
1953	\$56,900,000	\$7,800,000	\$64,700,000
1952	56,500,000	8,300,000	64,800,000
1951	57,100,000	8,400,000	65,500,000
1950	52,000,000	9,700,000	61,700,000
1949	57,200,000	9,700,000	66,900,000

During the past fiscal year, the sales in owned departments increased .7% compared to a decrease of 1% in the previous fiscal year, while sales of leased departments decreased 5.8% as compared with a decrease of .7% in the preceding fiscal year.

STORES OPENED AND CLOSED: In September 1952, a store acquired in Anderson, South Carolina was opened. This unit, a recently modernized store, is known as "Baile's."

The newly constructed store in Evansville, Indiana, "The Evansville Store," one of the largest in the Company, opened for business in November 1952.

The main store operated by Paducah Dry Goods Company in Paducah, Kentucky, was destroyed by fire in January 1953. Negotiations are under way for a new store in that city. In the interim, the Company's smaller store which has been operated in Paducah for the sale of home furnishings and appliances and was not affected by the fire, has been expanded to handle a substantial part of the business formerly done at the main Paducah store. It is hoped that operations at the new store will commence in 1954.

In line with the Company's policy of disposing of its small stores, the unit in Huntington, Indiana was closed in July 1952, the small store operated in Hartford, Wisconsin was sold in September 1952 and the small store operated in Muncy, Pennsylvania was sold in March 1953.

BUILDINGS, EQUIPMENT AND FIXTURES: During the year the Company spent \$3,500,000 for the construction, modernization and improvement of its properties. Included in this amount was the outlay for constructing and equipping the new store in Evansville, Indiana. The program was financed principally through additional long term borrowings and retained earnings. Depreciation and amortization charged to expense increased from \$630,000 to \$695,000.

WORKING CAPITAL: Working capital decreased \$150,000 to \$12,550,000 at year end. This difference is primarily related to the Company's modernization and improvement expenditures and the construction of the new store in Evansville.

Accounts receivable, consisting almost entirely of time payment accounts, show an increase of \$550,000, a portion of which increase followed the removal of Government restrictions on installment credits.

Inventories at year end were \$350,000 less than at January 31, 1952, and in satisfactory balance with sales trends.

FINANCING: On December 16, 1952, the Company borrowed \$1,000,000 from the Metropolitan Life Insurance Company on its unsecured Note. This Note, payable in stated annual installments, matures in fifteen years and bears an interest rate of 4½%. The proceeds were used in the building and modernization program.

DIVIDENDS: Dividends of \$2.50 per share were paid on the Common Stock during the year. The regular quarterly dividend of $62\frac{1}{2}\text{¢}$ per share for the first quarter of the current fiscal year was paid on April 15.

ASSET VALUE: The net asset value of the Common Stock of the Company as shown by its Balance Sheet was \$42.59 per share at year end. The net asset value, earnings and dividends per share of Common Stock for the past five years have been as follows:

As at January 31	Asset Value Per Share	Earnings Per Share	Dividends Per Share
1953	\$42.59	\$3.87	\$2.50
1952	41.20	4.20	2.50
1951	39.46	6.45	2.125
1950	35.13	3.76	2.00
1949	33.38	5.15	2.00

EXECUTIVE PERSONNEL: Mr. Sol W. Cantor was elected President of the Company in October 1952. Mr. Cantor, 42 years of age, joined Interstate in 1933 as Assistant Buyer. During the past twenty years he has served the Company successively in positions as Buyer, Group Merchandiser and General Merchandise Manager, and was Executive Vice President prior to his election as President.

Mr. Samuel J. Abend was elected a Vice President of the Company in March 1953. Mr. Abend, who is 43, has also been with the Company for twenty years. For a number of years prior to his election as Vice President, he managed the Company's successful store in Utica, New York, the largest in the Company. In his new capacity he will be in charge of all store operations.

Mr. Russell P. Bygel, Vice Chairman of the Board, resigned from the Company on January 31, 1953.

OUTLOOK: Retail business is expected to be larger in the first half of 1953 than it was in the corresponding period last year. The Company expects to share in such increases as may occur.

There should be an improvement in gross margins because inventories are in better condition.

While costs of doing business continue to be a serious problem, present indications are that earnings for the first half of the current fiscal year should show an improvement over the first six months of 1952.

We wish to record with profound regret the untimely passing last year of Mr. Harry C. Kilpatrick, a Director of the Company.

Mr. Cantor wishes to express his deep appreciation to the entire organization for the assistance and cooperation that he has had since his election to the Presidency and the fine spirit which has been shown.

For the Board of Directors,

R. C. KRAMER, *Chairman*

SOL W. CANTOR, *President*

INTERSTATE DEPAR
AND SUBSIDIA
CONSOLIDATED BALANCE SHEET

A S S E T S

	1953	1952
CURRENT ASSETS:		
Cash on hand and in banks	\$ 775,699	\$ 1,016,496
United States Treasury bond—at cost	100,031	
Accounts receivable:		
Customers	\$ 5,696,165	\$ 5,146,202
Less: Reserves	510,735	587,453
Other	844,770	363,375
Merchandise inventories (Note A)	11,268,917	11,622,903
Total Current Assets	18,174,847	17,561,523
OTHER ASSETS	19,062	125,130
FIXED ASSETS—at cost:		
Land and buildings (subject to mortgages—per contra)	\$ 330,729	\$ 431,441
Less: Reserves for depreciation	51,067	49,513
	<u>\$ 279,662</u>	<u>\$ 381,928</u>
Furniture and equipment	\$ 4,479,314	\$ 3,550,556
Less: Reserves for depreciation	1,413,616	1,247,591
	<u>\$ 3,065,698</u>	<u>\$ 2,302,965</u>
Leaseholds and leasehold improvements	\$ 3,528,981	\$ 1,937,611
Less: Reserves for amortization	927,876	957,951
	<u>\$ 2,601,105</u>	<u>\$ 979,660</u>
Construction in progress	\$ 280,423	\$ 93,856
DEFERRED CHARGES	435,271	441,659
	<u>\$24,856,068</u>	<u>\$21,886,721</u>

The Notes to Financial Statements are an integral part of

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RY COMPANIES

ET AS AT JANUARY 31, 1953-1952

LIABILITIES

	1953	1952
CURRENT LIABILITIES:		
Notes payable, current installments (Note B)	\$ 140,000	\$ 75,000
Accounts payable—trade	2,698,546	2,038,384
Accrued expenses and sundry other liabilities	1,107,894	1,089,199
Taxes withheld and accrued, other than Federal taxes on income	435,019	418,885
Accrued Federal taxes on income.....	1,250,420	1,246,449
Total Current Liabilities	5,631,879	4,867,917
LONG-TERM DEBT:		
Notes payable (Note B)	\$ 5,810,000	\$ 3,950,000
Mortgages payable	213,365	6,023,365
Total Liabilities	11,655,244	9,102,356
DEFERRED INCOME—CARRYING CHARGES	104,322	93,719
STOCKHOLDERS' EQUITY (Notes B and C)	13,096,502	12,690,646
LEASE COMMITMENTS (Note D)		
	<u>\$24,856,068</u>	<u>\$21,886,721</u>

this statement and should be read in conjunction herewith.

INTERSTATE DEPARTMENT STORES, INC.
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNINGS

For the Year Ended January 31, 1953-1952

	1953	1952
NET SALES:		
Owned departments	\$56,900,261	\$56,511,107
Leased departments	7,858,580	8,342,026
	<u>64,758,841</u>	<u>64,853,133</u>
COST OF SALES, operating and administrative expenses, including depreciation and amortization of \$694,796 for 1953 and \$630,323 for 1952	62,522,034	62,532,948
	<u>2,236,807</u>	<u>2,320,185</u>
OTHER INCOME—net	149,212	214,974
	<u>2,386,019</u>	<u>2,535,159</u>
INTEREST EXPENSE	187,031	215,174
NET EARNINGS BEFORE FEDERAL TAXES ON INCOME	2,198,988	2,319,985
PROVISION FOR FEDERAL TAXES ON INCOME	1,010,000	1,026,000
NET EARNINGS	<u>\$ 1,188,988</u>	<u>\$ 1,293,985</u>

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

For the Year Ended January 31, 1953-1952

	1953	1952
EARNINGS PREVIOUSLY RETAINED FOR USE IN THE BUSINESS (EARNED SURPLUS)	\$ 9,218,836	\$ 8,695,415
NET EARNINGS	1,188,988	1,293,985
	<u>10,407,824</u>	<u>9,989,400</u>
CASH DIVIDENDS PAID	768,761	770,564
EARNINGS RETAINED FOR USE IN THE BUSINESS	<u>\$ 9,639,063</u>	<u>\$ 9,218,836</u>
CAPITAL SURPLUS as at January 31, 1952-1951	\$ 1,918,058	\$ 1,915,949
Excess of market value over acquisition cost of treasury stock issued as compensation to employees		2,109
CAPITAL SURPLUS as at January 31, 1953-1952	<u>\$ 1,918,058</u>	<u>\$ 1,918,058</u>
COMMON STOCK—without par value (Note C):		
Authorized	500,000 shares	
Issued	308,946 shares	
	<u>\$ 1,580,252</u>	<u>\$ 1,580,252</u>
	<u>\$13,137,373</u>	<u>\$12,717,146</u>
Less—Common Stock held in treasury—at cost:		
946 shares as at January 31, 1952		26,500
1446 shares as at January 31, 1953	40,871	
STOCKHOLDERS' EQUITY (Notes B and C)	<u>\$13,096,502</u>	<u>\$12,690,646</u>

The Notes to Financial Statements are an integral part of these statements and should be read in conjunction herewith.

INTERSTATE DEPARTMENT STORES, INC.
AND SUBSIDIARY COMPANIES

NOTES TO FINANCIAL STATEMENTS

As at January 31, 1953

Reference is made to the Annual Report for the year ended January 31, 1952 for notes and comments pertaining to financial statements as at that date.

NOTE A—Merchandise Inventories:

Merchandise inventories include merchandise in transit amounting to \$922,290 as at January 31, 1953 based on specific invoice cost.

Merchandise inventories at stores are based on the retail method at (a) cost as determined on the "last-in, first-out" basis, or (b) the lower of cost or market after provision for markdowns based on age of merchandise.

Merchandise inventories at warehouses are priced at the lower of cost or replacement market.

NOTE B—Notes payable as at January 31, 1953 are due to:

Bank	\$2,250,000
Insurance company	3,700,000
	<hr/>
	\$5,950,000
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The bank loan, evidenced by 90 day notes, was made pursuant to the terms of a credit agreement under which the Company may borrow, repay and reborrow up to \$3,500,000 for a three year period from November 1, 1950. Interest is to be at a rate per annum equal to the prime commercial discount rate of the bank in effect on the date of such note. After the expiration of the three year period, at the option of the Company, it may borrow on November 2, 1953 up to \$3,500,000 repayable in seven equal annual installments beginning November 1, 1954 at an annual interest rate of not less than 2½% nor more than 3¼%, determined as prescribed in the credit agreement. On the date the Company borrows under the option (if exercised), the 90 day notes then outstanding are due and payable.

The notes payable to an insurance company in the amounts of \$2,700,000 and \$1,000,000 require annual amortization payments as follows: on the first note, \$75,000 through 1955, \$200,000 from 1956 through 1958, \$325,000 in 1959, \$350,000 from 1960 through 1962 and \$500,000 in 1963; on the second note (dated December 16, 1952), \$65,000 from 1953 through 1966, inclusive, and \$90,000 in 1967.

The loan agreements with the insurance company and the bank credit agreement contain, among other things, restrictions on the right of the Company to declare dividends (other than stock dividends) and reduce its capital stock, including, with respect to the insurance company loan agreements, a requirement that, after giving effect to the payment of such dividends, there are prescribed ratios of consolidated net current assets and of consolidated net tangible assets to consolidated funded debt. As at January 31, 1953, approximately \$2,050,000 of the consolidated surplus of \$11,557,121 is not subject to the dividend restrictions contained in the aforementioned agreements.

INTERSTATE DEPARTMENT STORES, INC.
AND SUBSIDIARY COMPANIES

NOTES TO FINANCIAL STATEMENTS — (Continued)

NOTE C—A stock option plan for officers and key employees of the Company and its subsidiaries authorizes the granting of options to purchase not in excess of 25,000 shares of the Common Stock of the Company. Options granted in a prior year for the purchase of an aggregate of 12,000 shares at \$31.5875 per share are outstanding at January 31, 1953.

NOTE D—At January 31, 1953, the minimum annual rentals upon property leased to the Company and/or to its subsidiaries under 58 leases expiring after January 31, 1956 amount to approximately \$1,100,000, plus real estate taxes, insurance, etc.

GENERAL—The accompanying financial statements are subject to final determination of Federal, state and local taxes.

S. D. LEIDESDORF & CO.
Certified Public Accountants

ACCOUNTANTS' REPORT

To the Board of Directors

INTERSTATE DEPARTMENT STORES, INC.
New York, N. Y.

We have examined the consolidated balance sheet of Interstate Department Stores, Inc. and subsidiary companies as at January 31, 1953 and the related consolidated statements of earnings and stockholders' equity for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of earnings and stockholders' equity, together with the notes to financial statements, present fairly the consolidated financial position of Interstate Department Stores, Inc. and subsidiary companies at January 31, 1953, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

S. D. LEIDESDORF & Co.

New York, N. Y.
April 10, 1953

LOCATION AND NAME OF STORES

CONNECTICUT

New Haven Stanley's

ILLINOIS

Aurora Aurora Dry Goods Co.

Belleville Carroll House

Decatur Decatur Dry Goods Co.

Peoria Peoria Dry Goods Co.

Rockford Rockford Dry Goods Co.

Springfield .. Springfield Dry Goods Co.

Waukegan ... Waukegan Dry Goods Co.

INDIANA

Anderson Hill's

Evansville The Evansville Store

Evansville .. Economy Department Store

Fort Wayne Grand Leader

Marion Hill's

Muncie Stillman's

South Bend Grand Leader

Vincennes Hill's

IOWA

Davenport Hill's

Des Moines Hill's

KENTUCKY

Louisville Jefferson Dry Goods Co.

Paducah Paducah Dry Goods Co.

MICHIGAN

Battle Creek Grand Leader

Flint The Fair

Jackson Stillman's

Lansing Lansing Dry Goods Co.

Port Huron Carroll House

NEW YORK

Troy Stanley's

Utica Boston Store

OHIO

Akron Federman's

Springfield Boston Store

PENNSYLVANIA

Reading Read's

Williamsport Carroll House

York Stillman's

SOUTH CAROLINA

Anderson Baile's

TENNESSEE

Knoxville Knox Dry Goods Co.

VIRGINIA

Staunton Carroll House

WEST VIRGINIA

Huntington .. Huntington Dry Goods Co.

WISCONSIN

Fond du Lac..Fond du Lac Dry Goods Co.

Green Bay Hill's

Madison Hill's

Milwaukee Hill's

Racine Racine Dry Goods Co.

Sheboygan Hill's Department Store

West Bend Carroll House

This report is solely for statistical information for stockholders, and is not a representation, prospectus or circular in respect of any stock of any corporation, and is not transmitted in connection with any sale or offer to sell or buy any stock or security now or hereafter to be issued, or with any preliminary negotiation for such sale.

